

**Christian Home for the Aged, Inc.  
D/B/A Appalachian Christian Village  
Johnson City, Tennessee**

**Cost Report and Resident Accounts  
For the Period  
April 1, 1998, Through March 31, 1999**

***Arthur A. Hayes, Jr., CPA, JD, CFE***  
Director

***Ronald M. Paolini, CPA***  
Assistant Director

***Gregg S. Hawkins, CPA***  
Audit Manager

***Steve Phillips, CPA***  
In-Charge Auditor

***Amy Brack***  
Editor

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 401-7897

TennCare/Medicaid audits are available on-line at [www.comptroller.state.tn.us/sa/reports/index.html](http://www.comptroller.state.tn.us/sa/reports/index.html).  
For more information about the Comptroller of the Treasury, please visit our Web site at  
[www.comptroller.state.tn.us](http://www.comptroller.state.tn.us).



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**

State Capitol  
Nashville, Tennessee 37243-0260  
(615) 741-2501

John G. Morgan  
Comptroller

June 18, 2002

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Mr. Mark Reynolds, Director  
Bureau of TennCare  
729 Church Street, Fifth Floor  
Nashville, Tennessee 37247

Ladies and Gentlemen:

Pursuant to Section 71-5-130, *Tennessee Code Annotated*, and a cooperative agreement between the Comptroller of the Treasury and the Department of Finance and Administration, the Division of State Audit performs examinations of nursing facilities participating in the Tennessee Medical Assistance Program under Title XIX of the Social Security Act (Medicaid).

Submitted herewith is the report of the examination of the Medicaid cost report and resident accounts of Christian Home for the Aged, Inc., d/b/a Appalachian Christian Village, Johnson City, Tennessee, for the period April 1, 1998, through March 31, 1999.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/pn  
00/022

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report  
**Christian Home for the Aged, Inc.**  
**D/B/A Appalachian Christian Village**  
Johnson City, Tennessee  
Cost Report and Resident Accounts  
For the Period  
April 1, 1998, Through March 31, 1999

## FINDING RECOMMENDING MONETARY REFUNDS

### **Need to Properly Manage Unrefunded Credit Balances**

Christian Home for the Aged, Inc., d/b/a Appalachian Christian Village, retained credit balances in the accounts of four former patients and did not make adequate efforts to refund the balances. The State of Tennessee is due \$532.43.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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**INTRODUCTION**

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**PURPOSE AND AUTHORITY OF THE EXAMINATION**

The terms of contract between the Tennessee Department of Finance and Administration and the Tennessee Comptroller's office authorize the Comptroller to perform examinations of nursing facilities that participate in the Tennessee Medicaid Nursing Facility Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating nursing facilities have asserted that they are in compliance with the applicable state and federal regulations covering services provided to Medicaid-eligible recipients. The purpose of our examination is to render an opinion on the nursing facilities' assertions that they are in compliance with such requirements.

**BACKGROUND**

To receive services under the Medicaid Nursing Facility Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan for Medical Assistance*. The need for nursing care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need nursing facility care before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued nursing care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

The Medicaid Nursing Facility Program provides for nursing services on two levels of care. Level I Nursing Facility (NF-1) services are provided to recipients who do not require an intensive degree of care. Level II Nursing Facility (NF-2) services, which must be under the direct supervision of licensed nursing personnel and under the general direction of a physician, represent a higher degree of care.

Appalachian Christian Village, Johnson City, Tennessee, provides only NF-1 services. The facility is owned and operated by Christian Home for the Aged, Inc., a non-profit corporation. The officers of the executive committee of the board of directors are as follows:

Robert Hines, II, President  
Richard D. Measner, Vice President  
John Hensley, Secretary  
Douglas Sams, Sr., Treasurer  
Betty O. Keffer, Financial Secretary

During the examination period, the facility maintained a total of 103 licensed nursing facility beds. The Division of Quality Assurance of the Department of Health licensed the facility for these beds. Eligible recipients receive services through an agreement with the Department of Health. Of the 37,595 available bed days, 17,902 were for Medicaid NF-1 residents for the year ended March 31, 1999. Also, the facility reported total operating expenses of \$5,965,001 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and resident services. The nursing facility met the required standards.

The following Medicaid reimbursable rates were in effect for the period covered by this examination:

<u>Period</u>	<u>Level I NF (744-0022)</u>
April 1 through June 30, 1998	\$ 88.60
July 1, 1998, through March 31, 1999	\$ 90.08

#### **PRIOR EXAMINATION FINDINGS**

The prior report of Appalachian Christian Village, for the period October 1, 1987, through September 30, 1988, contained the following findings:

1. Nonallowable expenses included on the cost report
2. Improper accumulation of inpatient days
3. Deficiencies in maintaining patient accounts
4. Nonallowable extra charges to Medicaid patients

These findings are not repeated in this report.

#### **SCOPE OF THE EXAMINATION**

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility Program. The requirements covered are referred to under management's assertions

specified later in the Independent Accountant's report. Our examination does not cover quality of care, clinical, or medical provisions.





**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF STATE AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0264  
PHONE (615) 401-7897  
FAX (615) 532-2765**

**Independent Accountant's Report**

**October 8, 1999**

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Mr. Mark Reynolds, Director  
Bureau of TennCare  
729 Church Street, Fifth Floor  
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated October 8, 1999, that Christian Home for the Aged, Inc., d/b/a Appalachian Christian Village, complied with the following requirements during the cost report period April 1, 1998, through March 31, 1999, and to the facility's resident accounts for the period April 1, 1998, through March 31, 1999.

- Income and expenses reported on the Medicaid Cost Report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the Medicaid Cost Report have been counted in accordance with state regulations. Medicaid resident days billed to the state for periods when residents were hospitalized or on therapeutic leave are in accordance with the 15-day hospital stay rule, the 85 percent occupancy rule, and the 60-day therapeutic leave day rule.

- Charges to residents and charges to residents' personal funds are in accordance with state and federal regulations.

As discussed in management's representation letter, management is responsible for ensuring compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the facility's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis, evidence about Appalachian Christian Village's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Appalachian Christian Village's compliance with specified requirements.

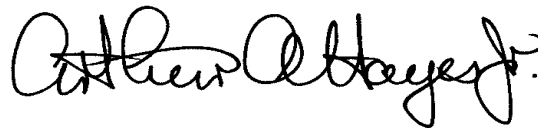
Our examination disclosed the following material noncompliance applicable to state and federal regulations.

- Need to properly manage unrefunded credit balances

In our opinion, except for the instances of material noncompliance described above, management's assertions that Christian Home for the Aged, Inc., d/b/a/ Appalachian Christian Village, complied with the aforementioned requirements for the cost reporting period April 1, 1998, to March 31, 1999, and for resident accounts for the period April 1, 1998, to March 31, 1999, are fairly stated in all material respects.

This report is intended solely for the use of the Tennessee General Assembly and the Tennessee Department of Finance and Administration. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." in a cursive style.

Arthur A. Hayes, Jr., CPA,  
Director

AAH/pn

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## FINDING AND RECOMMENDATION

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### Need to Properly Manage Unrefunded Credit Balances

#### Finding

Christian Home for the Aged, Inc., d/b/a Appalachian Christian Village, has not established a system to ensure that credit balances on the accounts of deceased or discharged residents are properly managed. Management did not report and remit overpayments made by the State of Tennessee.

Chapter 1700-2-1-.19 of the *Rules of Tennessee Department of Treasury* states, “Before filing the annual report of property presumed abandoned, the holder shall exercise due diligence to ascertain the whereabouts of the owner to prevent abandonment from being presumed.”

Unrefunded credit balances due to the State of Tennessee of \$532.43 remain in the accounts receivable of four former residents of Appalachian Christian Village.

#### Recommendation

Appalachian Christian Village should maintain evidence that the State of Tennessee, former residents, or their authorized representatives are notified of money due them. The facility should maintain a record of balances with the resident’s name and social security number, the dates of last account activity and last owner contact, and the amount due to each party.

Refunds totaling \$532.43 should be made to the State of Tennessee.

#### Management’s Comment

Management concurs. The unrefunded credit balances are not in dispute. We do feel, however, that we have an established system of ensuring that credit balances on the accounts of deceased and discharged residents are properly managed and that we have a strong internal control system in place to protect the integrity of our financial activity. This error is not systemic in nature, but an isolated event.

We have taken measures to correct the accounts in question and have remitted payment to the State of Tennessee.

## **SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS**

### **Source of Overpayments**

Unrefunded credit balances (see finding)	<u>\$ 532.43</u>
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### **Disposition of Overpayments**

Due to the State of Tennessee	<u>\$ 532.43</u>
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